

Construction, finance cut jobs to the bone

Sectors' workers hit hard

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In the two years since the real estate bubble burst and sent the broader economy into recession, local construction jobs are disappearing at a faster rate than any other job sector – surpassing manufacturing as the region's most rapid job loser.

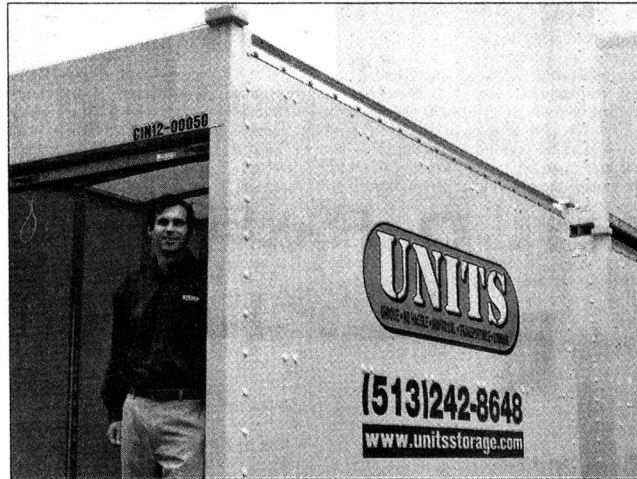
Meanwhile, another sector at the heart of the nation's economic downturn – financial activities – has emerged as Greater Cincinnati and Northern Kentucky's third-fastest shrinking job sector. The downturn in banking, insurance and real estate jobs is a stark about-face, as the category has been a bulwark against job losses in previous recessions.

Gary Clayton, chairman of the economics and finance department at Northern Kentucky University, said the downturn in these job sectors is not surprising because their woes are blamed for spurring the recession. He added that recessions normally see a slowdown in building and lending activity as consumers, businesses and lenders grow skittish about big purchases or deals.

"The two sectors are linked – there is contagion between the two," he said. "What's surprising about this recession is the nearly simultaneous collapse of the two sectors (real estate and finance)."

Manufacturing – which has shed 14,600 local jobs in the last two years – is losing more total jobs than construction and financial activities, but the smaller sectors are losing a larger proportion of workers. In the last two years, construction and financial activities have respectively shed 6,800 and 3,400 jobs.

Combined, construction and financial activities sectors employ about one out of 10 workers in Greater Cincinnati and Northern Kentucky, according to the latest



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Former PNC executive Gordon Wright now runs a mobile storage business in Bond Hill. "Being my own boss, I'm in the driver's seat," he says.

How 2 key sectors lost jobs

The region has shed thousands of construction jobs during the recession. Losses in the financial sector, which includes mortgage banking, title insurance and real estate sales and leasing, occurred mostly in the last year.

CONSTRUCTION JOBS				
	Region	Ohio	Kentucky	U.S.
March 2007	43,000	206,100	80,900	7.4 million
March 2008	40,200	194,600	79,600	7.0 million
March 2009	36,200	170,500	68,000	6.1 million
FINANCIAL JOBS				
	Region	Ohio	Kentucky	U.S.
March 2007	65,300	300,000	90,300	8.3 million
March 2008	65,200	291,300	92,300	8.17 million
March 2009	61,900	280,600	90,300	7.82 million

Source: Bureau of Labor Statistics

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data from the federal Bureau of Labor Statistics. While construction and financial activities are only the seventh- and ninth-largest employers locally, they rank third and fourth in the number of jobs lost.

Between March 2007 and March 2009, the construction, manufacturing and financial activities sectors have shrunk 15.8 percent, 12 percent and 5.2 percent, respectively.

Building hit hard

Nationally, one out of every five jobs lost in the recession has been in the construction industry, according to data from the Bureau of Labor Statistics.

Comprised of both commercial and residential construction, the sector has been battered by the mortgage meltdown and ensuing economic slowdown.

Before this year the ma-

majority of the sector's job losses were caused by the declines in new-home construction, says Joe Hummel, president of Allied Construction Industries, a Lockland-based construction trade group.

"We've finally seen the impact migrate into commercial construction, and so far in this year it's estimated that about 50 percent of the job losses have been nonresidential," he said. "Across the board, from the large construction firms to the smallest, there have been layoffs."

Miller Valentine Group, for example, shed 3 percent of its 850-member work force late last year.

While the region has "not yet seen a wholesale loss of contractors or construction companies," Hummel said he's concerned about second-quarter results.

"Many companies had a

backlog of work to get through the first quarter," he said.

Contractors and others are watching anxiously to see exactly when and which projects across the region receive federal stimulus money, Hummel said.

"I think by the year's end we'll see activity levels come back, but certainly not the recent high levels we saw," he said.

Financial activities

Tired of corporate America and looking to strike out on his own as an entrepreneur, Gordon Wright, 40, gave up his job as a vice president at PNC Advisors to start last September a mobile storage franchise in Bond Hill. He switched jobs, but according to the Bureau of Labor Statistics, Wright remains employed in the financial activities sector (which includes leasing services, as well as banking, insurance and real estate).

"With all the mergers and acquisitions in that marketplace, it makes everyone a little nervous," he said. "Being my own boss, I'm in the driver's seat – I may drive it into the ground, but I'm the one doing it."

Wright says his business is dependent on the housing market, but adds he's trying to grow his business to serve more commercial clients, which tend to be more stable.

Jobs: Construction, finance falter

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Experts say real estate and related jobs were the first part of the sector to feel the pinch. But the recent turmoil in the banking industry promises to continue shrinking positions, as some banks cut back or merge.

Banking and insurance workers represent more than 80 percent of the 61,900 local financial activity jobs. In the last year, banking and insurance shed 2,000 positions, but other financial activity employers shed 1,300 more.

'Feeding frenzy'

In the region's home building industry, business has steadily declined since 2007.

Nationwide requests for new single-family residential building permits dropped 38 percent in the first quarter – the slowest pace since 1980, according to a report out last week by the Commerce Department.

Locally, permits were down 29 percent in Greater Cincinnati and down 57 percent in Northern Kentucky for the first quarter of 2009 compared to the same period last year.

The continued declines have resulted in massive job cuts, says Dan Dressman,

president of the Northern Kentucky Home Builders Association.

"Most companies have cut employees as much as they can," he said. "They're down to the bone – and some have even cut into the marrow, you might say."

In other cases, builders have filed bankruptcy or simply closed.

In February, national builder St. Lawrence homes filed for Chapter 11 bankruptcy – with debt of more than \$116 million. Locally, the Raleigh, N.C.-based builder has built high-end homes in West Chester Township's Four Bridges community.

For survival, home builders have begun to flock to commercial construction sector. In Northern Kentucky, for example, Edgewood-based Ashley Builders has begun focusing heavily on its commercial work – taking on commercial and medical office projects in Norwood and elsewhere. And Mason-based Robert Lucke Group – which has a high-end home building division – has carved a niche in commercial office condo construction.

"The competition has created a feeding frenzy in the commercial market," ACI's Hummel says. "A project that

might have had five or six bidders in the past will have 20 or more."

Fewer Realtors

Meanwhile, the number of licensed Realtors across Ohio and Kentucky has thinned significantly as home sales have declined.

Licenses were down 14 percent, or more than 5,000, in April compared to comparable time frames in 2008 and 2007, according to state records.

In Kentucky, active licenses were down about 10 percent, or more than 1,300, in February, the most recent state data available shows.

At Fairfield-based Star One Realty, the housing market's decline has resulted in cutbacks in benefits, reduced hours for staff and cuts in management compensation, said Paul Jacob, chief financial officer of the Cincinnati Star One operations and president of the Cincinnati Area Board of Realtors.

And the pain has had a major ripple effect.

"You've had a number of title companies reduce their staff; some have closed their operations entirely," Jacob said. "You've had mortgage brokers consolidate or go out

of business."

In West Chester Township, Accredited Home Lenders said it plans to lay off 38 workers by June, according to a notice filed with Ohio officials. In 2007 the mortgage banking firm laid off 65 from its Centre Point Drive offices, according to state papers.

The industry's troubles have had an impact on real estate agencies, too. Since last year, the Cincinnati Realtors' membership has declined about 10 percent, Jacob said.

At the Northern Kentucky Board of Realtors, membership is down about 6 percent.

"Certainly it's been a challenge and I've talked to members who are getting second jobs – but that's a minority of the membership," said board president Johnny Hodge. "A lot of them are anxiously awaiting the comeback."

Local Realtors say they have begun to see early signs of recovery. Inventories of unsold homes are shrinking on both sides of the river and activity at open houses has been picking up considerably, Jacob said.

"I think the people who have held in up to this point – through these tough times – they're going to make it," he said.